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Security Council Committee established pursuant to resolution 1718 (2006)

Note verbale dated 30 July 2009 from the United States Mission to the United Nations addressed to the Chairman of the Committee

The United States Mission has the honour to submit the attached report pursuant to paragraph 22 of United Nations Security Council resolution 1874 (2009). This report covers the concrete measures the United States has taken in order to implement effectively paragraph 8 of resolution 1718 (2006) and paragraphs 9, 10, 18, 19 and 20 of resolution 1874 (2009) (see annex).

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Annex to the note verbale dated 30 July 2009 from the United States Mission to the United Nations addressed to the Chairman of the Committee

Report of the United States of America for the United Nations Security Council on efforts towards implementing Security Council resolution 1874 (2009)

The United States believes it is essential that Member States fully and effectively implement this resolution. To ensure maximum United States compliance with our obligations under this resolution, the United States has appointed Ambassador Philip Goldberg as the United States Coordinator for Implementation of Security Council Resolution 1874 (2009), who will oversee a high-level task force on implementation. In addition to the measures described below, the United States will continue to apply trade and assistance restrictions, where appropriate and required by law, and support other States' efforts, as requested, to prevent financial transactions or trade in goods and services prohibited by resolution 1874 (2009).

Following the structure of relevant provisions of the resolution, United States actions to date are as follows:

Paragraph 9: [The Security Council,] Decides *that the measures in paragraph 8 (b) of resolution 1718 (2006) shall also apply to all arms and related materiel, as well as to financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of such arms or materiel.*

Paragraph 8 (b) of resolution 1718 (2006) requires Member States to prohibit the procurement of specified items from the Democratic People's Republic of Korea by their nationals, or using their flagged vessels or aircraft, and whether or not originating in the Democratic People's Republic of Korea. The United States has previously taken steps that apply to imports of all goods of North Korean origin as well as steps that apply to all North Korean-flagged vessels, and all North Korean airlines. Products of North Korea may not be imported into the United States, either directly or through third countries, without prior notification to and approval of the Department of the Treasury's Office of Foreign Assets Control (OFAC). This licensing requirement implements certain provisions of the Arms Export Control Act by restricting imports from North Korea of certain military- and missile-related goods. In February 2006, President Bush reconfirmed that North Korean-flagged vessels are already prohibited from entering United States ports. Executive Order 13466, which is implemented by the United States Department of the Treasury, prohibits United States persons from owning, leasing, operating or insuring North Korean-flagged vessels. The amendment went into effect on 8 May 2006. The United States has no air services agreement with North Korea, and there are no flights by United States airlines to North Korea or flights by the North Korean airline to the United States. These measures collectively ensure that the procurement of items covered in paragraph 9 is prohibited under United States law.

Paragraph 10: Decides *that the measures in paragraph 8 (a) of resolution 1718 (2006) shall also apply to all arms and related materiel, as well as to financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of such arms, except for small arms and light weapons and their related materiel, and calls upon States to exercise vigilance*

over the direct or indirect supply, sale or transfer to the Democratic People's Republic of Korea of small arms or light weapons, and further decides that States shall notify the Committee at least five days prior to selling, supplying or transferring small arms or light weapons to the Democratic People's Republic of Korea.

United States restrictions on transfers of lethal military equipment, nuclear-related items, missile-related items, and chemical-biological items to North Korea include restrictions on providing related software, technology, assistance, training, advice or services. The United States works with like-minded countries, including those in the Wassenaar Arrangement, the Nuclear Suppliers Group, the Zangger Committee, the Missile Technology Control Regime, the Australia Group, the Proliferation Security Initiative, and outreach programmes to non-member countries, to prevent transfers to North Korea of technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of the items in subparagraphs (a) (i) and (a) (ii) of operative paragraph 8 of resolution 1718 (2006) and operative paragraph 10 of resolution 1874 (2009).

The United States prohibits the export to North Korea of all arms and related materiel. Specifically, the United States does not permit the export to North Korea of any items on the United States Munitions List, which includes all items listed in paragraph 10, as well as the additional items, including those in document S/2009/205, that the 1718 (2006) Sanctions Committee made subject to the provisions of resolution 1718 (2006) in April and July 2009. The United States also does not approve the export or re-export to North Korea of any relevant dual-use items that are included on the United States Commerce Control List. In general, United States export control restrictions include, but are far broader in scope than, the items listed in resolution 1718 (2006), paragraph 8 (a) (i) and the goods listed in resolution 1874 (2009), paragraph 10. Paragraph 10 also requires the restriction of financial transactions, technical training, advice, services or assistance related to the provision, manufacture, maintenance or use of the listed arms.

Paragraph 18: Calls upon *Member States, in addition to implementing their obligations pursuant to paragraph 8 (d) and (e) of resolution 1718 (2006), to prevent the provision of financial services or the transfer to, through or from their territory, or to or by their nationals or entities organized under their laws (including branches abroad), or persons or financial institutions in their territory, of any financial or other assets or resources that could contribute to the Democratic People's Republic of Korea's nuclear-related, ballistic missile-related, or other weapons of mass destruction-related programmes or activities, including by freezing any financial or other assets or resources on their territories or that hereafter come within their territories, or that are subject to their jurisdiction or that hereafter become subject to their jurisdiction, that are associated with such programmes or activities and applying enhanced monitoring to prevent all such transactions in accordance with their national authorities and legislation.*

In June 2005, President Bush signed Executive Order 13382 (Blocking Property of Weapons of Mass Destruction Proliferators and Their Supporters). The Executive Order allows the United States to block or "freeze" the property and assets, subject to United States jurisdiction, of weapons of mass destruction (WMD) or ballistic missile proliferators and their supporters. Entities and individuals that are designated under the Order are denied access to the United States financial and

commercial systems, and United States persons, wherever located, including United States financial institutions, are required to freeze assets under their control belonging to designated entities/individuals and are prohibited from engaging in transactions with them. This legal authority allows the United States to implement effectively the measures set forth in paragraph 8 (d) of resolution 1718 (2006) and in paragraph 10 of resolution 1874 (2009).

To date, the United States has designated 16 entities and three individuals under United States Executive Order 13382 for their involvement in Democratic People's Republic of Korea proliferation activities. These entities and individuals can be found at the following website: http://www.ustreas.gov/offices/enforcement/ofac/programs/wmd/wmd.pdf.

On 24 April 2009, the Security Council Committee established pursuant to resolution 1718 (2006) designated three North Korean entities to be subject to the asset freeze provisions in paragraph 8 (d) of resolution 1718 (2006). All three of these entities — Tanchon Commercial Bank, Korea Mining Development Corporation (KOMID) and Korea Ryonbong General Corporation — were identified by the President as designated WMD proliferators in an annex to Executive Order 13382 on the date of its issuance in June 2005. They have been subject to the provisions of the Order since that date. The 1718 (2006) Sanctions Committee on 16 July 2009 designated an additional five North Korean entities and five North Korean individuals in accordance with paragraph 24 of resolution 1874 (2009). The United States had designated two of those entities — Namchongang Trading Corporation and Hong Kong Electronics — under Executive Order 13382 on 30 June 2009. The United States is working to quickly designate pursuant to United States Executive Order 13382 the remaining three entities and five individuals listed by the Committee.

In addition to taking action under Executive Order 13382, the Department of the Treasury, through the Financial Crimes Enforcement Network, issued an advisory on 18 June 2009 to United States financial institutions regarding North Korean illicit financial activities. The advisory alerts United States financial institutions to the financial provisions in resolution 1718 (2006) and resolution 1874 (2009) and describes Treasury concerns regarding the use of deceptive financial practices by North Korea and North Korean entities, as well as those acting for or on their behalf, to hide illicit conduct, including proliferation activities. In the light of the new Security Council resolution, financial provisions and these concerns, the Treasury advised United States financial institutions to take commensurate risk mitigation measures. The advisory also notes that there is an increased likelihood that correspondent accounts held for North Korean financial institutions, as well as their foreign branches and subsidiaries, may be used to hide illicit conduct and related financial proceeds in an attempt to circumvent existing sanctions. A list of some North Korean banks is included in the advisory for ease of reference. Finally, the advisory also highlights the risks that North Korea may rely on cash transactions to evade the provisions of Security Council resolutions, and urges financial institutions to remain vigilant to large cash deposits by North Korean customers and the associated risk of passing counterfeit currency.

Paragraph 19: Calls upon *all Member States and international financial and credit institutions not to enter into new commitments for grants, financial assistance or concessional loans to the Democratic People's Republic of Korea, except for*

humanitarian and development purposes directly addressing the needs of the civilian population, or the promotion of denuclearization, and also calls upon States to exercise enhanced vigilance with a view to reducing current commitments.

Since the adoption of resolution 1874 (2009), the United States has not entered into any new commitments for grants, financial assistance, or concessional loans to the Democratic People's Republic of Korea.

Paragraph 20: Calls upon *all Member States not to provide public financial support for trade with the Democratic People's Republic of Korea (including the granting of export credits, guarantees or insurance to their nationals or entities involved in such trade) where such financial support could contribute to the Democratic People's Republic of Korea's nuclear-related or ballistic missile-related or other WMD-related programmes or activities.*

Since the adoption of resolution 1874 (2009), the United States has not provided public financial support for trade to the Democratic People's Republic of Korea.